CONTRANS INCOME FUND

# NEWS RELEASE

## CONTRANS INCOME FUND ANNOUNCES FIRST QUARTER RESULTS

**(Woodstock, Ontario—May 13, 2008)** (TSX:CSS.UN)

*(unaudited)*

| Three months ended March 31<br>*(in millions except per unit amounts)* | | 2008 | | 2007 |
|---|---|---|---|---|
| Revenue - transportation services | $ | 102.3 | $ | 106.4 |
| Revenue - fuel surcharges | | 18.2 | | 13.0 |
| Revenue - total | | 120.5 | | 119.4 |
| Earnings before income taxes | | 5.0 | | 7.8 |
| Income taxes | | - | | (0.3) |
| Net earnings | $ | 5.0 | $ | 8.1 |
| Earnings per unit - basic and diluted | $ | 0.17 | $ | 0.28 |

### *REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER*

"It is quite evident from recent earnings reports that the North American economy, which we felt has been in trouble for quite some time, has continued to deteriorate," stated Chairman and CEO Stan Dunford. "A strong Canadian dollar has compounded this effect on this country's manufacturing activity, adversely affecting exports and southbound truck traffic. These factors have had an impact on everyone in our industry, some far more than others."

"Although we are not completely immune from recessionary pressures, we believe that Contrans remains well-positioned in the current economic circumstances," continued Mr. Dunford. "We have built a solid, diversified group of customers who value good service and compensate us fairly for rising fuel costs. Over the years we have grown at a respectable and manageable pace, resisting the temptation to grow too fast. Our conservative management style has helped to keep our leverage at a reasonable level. We have recently secured a commitment from our term lender to extend our long-term debt facility for another seven years, an endorsement of the quality of Contrans and its management's experience and ability to navigate through tough times."

"Over the years Contrans has faced many challenges, some more severe than others. We have never wavered from our operating principles nor have we ever lost sight of our fundamental goal of adding long-term value for our unitholders. This discipline has allowed us to persevere in tough times and even enabled us to prosper. Contrans' unitholders can be assured that management will remain focused on operating efficiently, remain vigilant for appropriate opportunities to continue to add value for our unitholders and pursue them aggressively as they appear."

### RESULTS FROM OPERATIONS

Revenue from transportation services has fallen in the first quarter of 2008 compared to the first quarter of 2007 by $4.1 million. UPM, a major customer of the Fund, closed down its plant in Eastern Canada in August 2007 and has since announced that the plant will not re-open. Revenues from this customer in the first quarter of 2007 were $3.8 million. The current economic downturn has also reduced freight volumes, particularly into the US, applied pressure to freight rates and has affected traffic patterns. Steadily increasing fuel prices have caused revenue from fuel surcharges to increase in the first quarter of 2008 compared to 2007.

The current economic conditions have also adversely affected operating expenses. With an oversupply of equipment available, equipment utilization has been reduced. The unusually prolonged harsh winter weather in 2008 also negatively impacted operating expenses by contributing to increases in maintenance and accident claim costs of $0.7 million and $0.4 million respectively in the first quarter of 2008 compared to 2007.

Selling, general and administration expenses ("SGA") stayed constant in the first quarter this year compared to last year. Compensation expenses were $0.4 million lower this year than last year and foreign exchange gains were $0.2 million higher. These savings were offset by an increase in the provision for doubtful accounts of $0.2 million and by a $0.3 million severance provision relating to the Fund's realignment of its Flatbed and Van business units in Eastern Canada. This realignment will reduce future overhead costs and is expected to improve fleet management.

Net interest expense increased as a result of the average long-term debt, net of cash, being higher in 2008 compared to 2007.

### DISTRIBUTABLE CASH

*(unaudited)*

| Periods ended March 31<br>(in thousands except per unit amounts) | Three months<br>**2008** | <br>2007 |
|---|---|---|
| Cash flow provided by (used in) operating activities | **$ (212)** | $ 7,221 |
| Net change in non-cash working capital | **8,875** | 4,578 |
| Proceeds on sale of equipment | **1,125** | 1,654 |
| Asset retirement obligations - settlements | **(4)** | (22) |
| Long-term debt repayments where no financing available | **(236)** | - |
| Maintenance capital expenditures | **(1,974)** | (2,108) |
| Distributable cash earned | **7,574** | 11,323 |
| Regular distributions declared | **9,008** | 8,993 |
| Surplus (deficit) of distributable cash earned vs. regular distributions declared | **$ (1,434)** | $ 2,330 |
| Distributable cash earned per unit | **$ 0.26** | $ 0.39 |
| Distributions declared per unit - regular | **0.31** | 0.31 |
| Surplus (deficit) of distributable cash earned vs. regular distributions declared per unit | **$ (0.05)** | $ 0.08 |
| Weighted average number of units outstanding | **28,795** | 28,739 |
| *Purchase of property and equipment* | | |
| Maintenance capital expenditures | **$ 1,974** | $ 2,108 |
| Growth capital expenditures | **1,792** | 1,559 |
| Total | **$ 3,766** | $ 3,667 |
| *Repayment of long-term debt* | | |
| Long-term debt repayments funded out of surplus cash | **$ -** | $ 191 |
| Long-term debt repayments where no financing available | **236** | - |
| Total | **$ 236** | $ 191 |

The amount of distributions to unitholders in the first quarter has exceeded distributable cash earned. This is primarily due to decreased earnings that resulted from both seasonal and economic pressures. Distributable cash earned in excess of distributions paid in prior periods was used to fund first quarter distributions. Management believes that current unitholders appreciate a stable rate of distributions. Management anticipates improved earnings in the remainder of 2008 and is monitoring the Fund's financial performance to ensure that the current rate of distributions to unitholders can be sustained without compromising the long-term interest of the Fund's unitholders. See also "Forward-Looking Statements".

### *DISTRIBUTABLE CASH EARNED – RECONCILIATION*

Cash used to fund working capital, capital expenditures or debt repayments does not affect amounts that can be distributed to unitholders when financing is available. Similarly, cash generated by changes in non-cash working capital is not considered distributable to unitholders. Proceeds from the sale of retired highway equipment effectively reduce the cost of maintenance capital expenditures and therefore these proceeds should be considered when determining what amounts can be distributed to unitholders. Settlements of asset retirement obligations reflect amounts paid by the Fund, at the termination of equipment leases, to bring such equipment to the condition that was stipulated and agreed to in each lease contract. Accordingly, these settlements need to be considered when determining distributable cash earned since they are not deducted from cash provided by (used in) operating activities in the consolidated statements of cash flow. Maintenance capital expenditures are necessary to sustain current revenue levels and therefore reduce the amount of cash that is available for distribution.

### *USE OF NON-GAAP FINANCIAL MEASURES*

Management has included certain non-GAAP measures to supplement its consolidated financial statements which are presented in accordance with Canadian GAAP. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP and therefore they are unlikely to be comparable to similar measures employed by other issuers. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management has included these non-GAAP measures for the reasons set forth below.

*Distributable cash flow, maintenance capital expenditures, growth capital expenditures, long-term debt repayments funded out of surplus cash, long-term debt repayments where no financing available:*
Management believes that these measures are useful supplements to the information contained in the Fund's statements of cash flow as they facilitate a greater depth of analysis. Accordingly, these measures can enhance the evaluation of the Fund's historical and prospective operating performances as well as the sustainability of the Fund's distributions.

---


For further information please contact:

Stan G. Dunford, Chairman and Chief Executive Officer, or
Gregory W. Rumble, President and Chief Operating Officer
Phone: 519-421-4600 • E-mail: info@contrans.ca • Web site: www.contrans.ca